



STATE OF MISSISSIPPI
TREASURY DEPARTMENT

TATE REEVES
STATE TREASURER

POST OFFICE BOX 138
JACKSON, MISSISSIPPI 39205
TELEPHONE (601) 359-3600

April 4, 2006

Honorable Phil Bryant
State Auditor
State of Mississippi
8th Floor, Woolfolk Building
Jackson, Mississippi 39201

Dear Mr. Bryant:

We have reviewed the financial audit findings in reference to our fiscal year 2005 audit. Listed below are our responses and plan for corrective action:

AUDIT FINDING: Controls over the Statewide Collateral Pool Should be Strengthened

Response: We concur with this finding.

Corrective Action: The controls over the Statewide Collateral Pool and the Public Funds Guaranty Pool were established to ensure that adequate collateral is maintained to secure the public deposits of over 1200 entities held by over 110 financial institutions. The State Treasury staff will continue to monitor the pools under the current procedures and will be instructed to verify that errors are kept to a minimum.

AUDIT FINDING: Controls Over Arbitrage Calculations Should be Strengthened

Response: We concur with this finding.

Corrective Action: The employee responsible for preparing these schedules spends a considerable amount of time reviewing MERLIN reports and compiling the schedules before they are sent to the arbitrage attorney for calculation. In order to fully comply with the request as stated in the audit finding, a supervisor would be required to review the reports and trace all numbers back to supporting documentation to ensure they were properly prepared without error. We will begin performing a cursory review of the schedules and this review will be documented, however, due to the limited number of staff at the State Treasury, the review will be limited in scope.



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In regard to the documentation of arbitrage calculations not being received in a timely manner, the auditor noted that we are verbally informed by the attorneys when no payment is due to the Internal Revenue Service. We will request immediate follow-up in writing, however, prompt receipt of this documentation is not within our control.

AUDIT FINDING:

Bank Reconciliations for Bank Accounts Should Be Prepared.

Response:

We concur with this finding.

Corrective Action:

Investment Division Personnel will prepare reconciliations for all active demand deposit accounts on a monthly basis and provide those reconciliations along with supporting documentation to the Chief Investment Officer each month for review. The Chief Investment Officer will review these reconciliations and resolve any exceptions. Once exceptions are resolved the Chief Investment Officer will sign the reconciliation and present it to the Internal Auditor who will initial that it has been reviewed. The reconciliations will be filed by the Investment Division.

If you have any question, please call Liz Welch, Deputy Treasurer at 359-3600.

Sincerely,

A handwritten signature in cursive script that reads "Tate Reeves".

Tate Reeves
State Treasurer